



## *Trade and Agriculture* **What's at Stake for Arizona?**

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Arizona is an important producer and exporter of agricultural products. In 2002, the State's cash farm receipts totaled \$2.8 billion. As for exports, Arizona shipped an estimated \$670 million in agricultural products in 2002. Agricultural exports help boost farm prices and income, while supporting about 9,983 jobs both on and off the farm in food processing, storage, and transportation. Exports remain important to Arizona's agricultural and statewide economy. Measured as exports divided by farm cash receipts, the State's reliance on agricultural exports was 23 percent in 2002.

Arizona's top five agricultural exports in 2002 were:

- # vegetables and preparations -- \$83 million
- # planting seeds -- \$77 million
- # cotton -- \$70 million
- # live animals and red meats \$62 million
- # fruits and preparations -- \$28 million

World demand for these products is increasing, but so is competition among suppliers. If Arizona's farmers, ranchers, and food processors are to compete successfully for the export opportunities of the 21st century, they need *fair trade* and *more open access* to growing global markets.

### **Arizona Benefits From Trade Agreements**

Arizona is already benefiting from a number of agricultural trade agreements. While there is still much to be done, examples of new market opportunities for Arizona include:

- Arizona benefited from the Uruguay Round when Japan lowered tariffs on most fresh and processed vegetables to between 3 to 9 percent by 2000, and Korea committed to lower tariffs on many vegetable products by 2004. Supported in part by falling tariffs, U.S. exports of several vegetables to Japan increased: fresh broccoli sales rose 22 percent to \$45 million from 1995 to 2002, and fresh celery sales rose 23 percent to \$1.6 million during this same period.
- One of the largest cotton producing states, Arizona benefits under NAFTA with new rules of origin that increase demand for U.S. textiles in Canada and Mexico. Mexico's 10-percent tariffs on cotton has been eliminated. This tariff reduction

supports U.S. cotton exports to Mexico, which rose from 558,000 bales to 2.2 million bales from marketing year 1995 to 2002. U.S. industry estimates that the Caribbean Basin Initiative and Africa Growth and Opportunity Act will increase annual cotton sales by 100,000 bales.

- Arizona benefits from the Uruguay Round as Japan and Korea make substantial tariff reductions on a wide range of fresh and processed fruits. From 1995 to 2000, Japan lowered its tariffs on fresh oranges to 16 percent (out-of-season) and 32 percent (in-season), and its tariffs on fresh grapefruit to 10 percent. During the same period, Japan also lowered its tariffs to 19.1-21.3 percent on fruit juices containing not more than 10 percent sucrose by weight.
- South Korea established a tariff-rate quota for oranges, and is reducing its tariffs from 99 to 50 percent by 2004. As tariffs fall, U.S. orange exports have increased almost ten times from \$5.3 million in 1995 to \$51.9 million in 2002. Korea is also reducing its lemon tariffs to 30 percent, and its tariffs on fresh grapefruit from 50 to 30 percent by 2004. Supported by lower tariffs, U.S. total fresh citrus exports to Korea jumped 266 percent from \$20.9 million in 1995 to \$76.6 million in 2002.
- Under the 1999 U.S.-China Agricultural Cooperation Agreement, China lifted its import ban on citrus from this state. This agreement cleared away a major obstacle to trade with China. For the first time, U.S. exporters have direct access to the large central and northern coastal cities, creating a more efficient supply chain to meet China's demand for top-quality, fresh citrus.
- In Arizona, the cattle and calf industry accounts for nearly 20 percent of the total farm receipts. Arizona benefited as some of the top international markets significantly reduced tariffs on chilled and frozen beef. In 2001, South Korea eliminated its import quotas on chilled and frozen beef, and will reduce its tariffs to 40 percent by 2004. Supported in part by these changes, South Korea's imports of U.S. beef rose from 60,000 tons valued at \$227 million in 1994 to 213,000 tons worth \$610 million in 2002. Under the North American Free Trade Agreement, Mexico eliminated its 15 percent tariff on live slaughter cattle, its 20-percent tariff on chilled beef, and its 25 percent tariff on frozen beef. Its 20 percent tariff on beef offal was eliminated in 2003. Mexico has been one of the fastest growing markets for U.S. beef, supported in part by the elimination of tariff barriers. U.S. beef exports to Mexico rose from the 1993 pre-NAFTA level of 39,000 tons valued at \$116 million to 207,000 tons valued at \$596 million in 2002.